

Tax Reform – Continuation of Discussion on Packages

Tax Reform Committee

October 25, 2007





Outline

- Key Elements of Package(s)
- Other Considerations
- Implementation
- Timeline and Consultation Plan
- Recommendation





Key Elements of a Tax Reform Package

- Shift away from Property Assessment
- Decisions on “Who” Pays for which Municipal Services?
 - Individuals, Communities, Region
 - Nine tax rates
- Current Tax Boundaries replaced
 - Common Tax Rates
 - Tax Zones
- More emphasis on Ability to Pay
- Commercial Tax Reform



Shift Away from Property Tax

- Proposal: **Dwelling Unit Tax**
- Considerations:
 - Simple, easy to understand and administer
 - May vary the rate for multi-unit buildings (eg roads)
 - MGA Allows as area rates, minimum tax or capital charges.
 - Require a way to tax vacant land (eg acre charge).
 - Requires stronger ability to pay. Critical to add extra relief.
- Alternatives:
 - Frontage, User Pay or Assessment



“Who” Pays for Which Municipal Service? Depends on Who Benefits?

- Should it be based on
 - **B**enefit- those who benefit directly from the service
 - **A**ccess- those who have access to the service
 - **R**ecieve- those who receive the service
 - **C**ause- those who cause the need for the service





Linking Services to Who Pays

Access, Receive

Benefit, Cause

Individual Fee

Individual Charge

Community Tax

-Area Tax Rates

-Common Tax Rates

-Zone Tax Rates

Regional Tax



What Types of Taxes will we use?

- Individual Charge

- We tax only the recipient

- Community Taxes

- Common Tax Rate

- One HRM-wide tax rate for those within a set distance of the service.

- Zone Tax Rate

- All within a set zone benefit, and therefore pay the tax.
- Zones based on Regional Planning (GFLUM) boundaries.

- Regional Tax Rate

- All in HRM pay.



Nine Municipal Services, Nine Tax Rates

Receive

**Access, Cause and/or
Benefit**

Benefit

Individuals

Communities

Region

Individual Charges:

- 1 Hydrants
- 2 Solid Waste
- 3 Local Roads

Common Tax Rates:

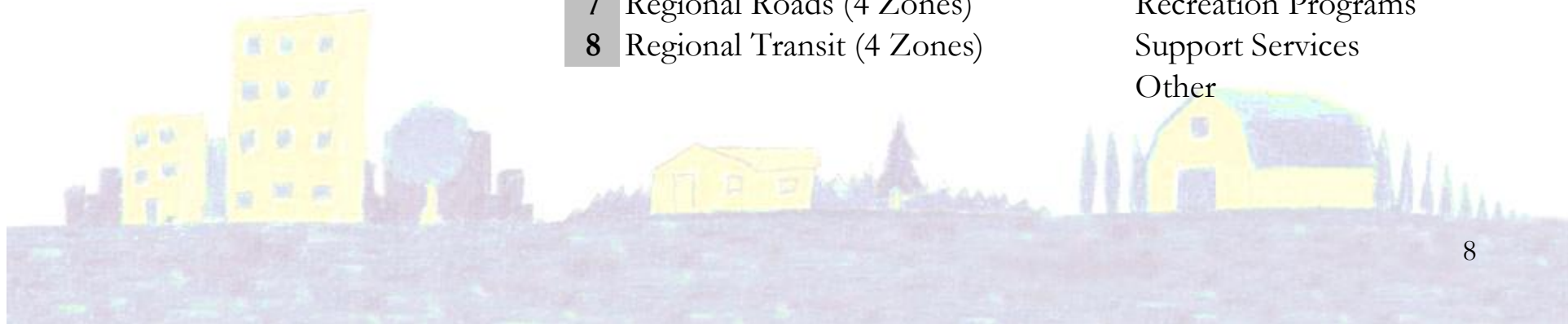
- 4 Local Recreation
- 5 Local Sidewalks
- 6 Local Transit

Zone Tax Rates:

- 7 Regional Roads (4 Zones)
- 8 Regional Transit (4 Zones)

9 Regional Tax Rate:

- Police
- Fire
- Libraries
- Multi-District Facilities
- Sports and Event Facilities
- Recreation Programs
- Support Services
- Other





Hydrants – Individual Charge

- Proposal: **Hydrants – Dwelling Unit Tax** for those within 1,200 feet of a hydrant
- Considerations:
 - Simple, easy to understand and administer
 - Expect to vary the rate for multi-unit buildings.
 - May have to amend Section 80 of Municipal Government Act. Otherwise, could implement in 2008-2009.
- Alternatives:
 - Tax on Frontage or Assessment
 - Include in Regional Tax Rate
 - Transfer to Halifax Regional Water Commission



Solid Waste – Individual Charge

- Proposal: **Solid Waste – Dwelling Unit Tax** for those receiving pick-up
- Considerations:
 - Applies to Homes, Condos and Rural Business (get pick-up).
 - Will not apply to Apartments, vacant land, most businesses (no pick-up).
 - Legal interpretation required on current MGA.
 - Could be implemented in 2008-2009
- Alternatives:
 - User fees for Garbage Bags



Local Roads – Individual Charge

- Proposal: **Local Roads – Dwelling Unit Tax** on local road network.
- Considerations:
 - Applies to those next to HRM roads.
 - Will not apply to those on private roads, provincial roads or not next to roads.
 - Expect to vary the rate for multi-unit buildings.
 - MGA allows under Section 81.
 - Could be implemented in 2009-2010
- Alternatives:
 - Tax those on “public” roads, not just “HRM” roads.
 - Create a zone tax for local roads (or in Regional Roads Zone).
 - Apply to everyone – include in Regional Tax



Local Recreation – Common Tax Rate

- Proposal: **Local Recreation – Dwelling Unit Tax**
- Considerations:
 - Applies within drive time of a community or neighbourhood facility.
 - Excludes Multi-District, Sports and Event Facilities.
 - All will have the same tax rate, regardless of size and features of facilities.
 - Will assist some communities in acquiring facilities.
 - MGA allows under Section 75.
 - Could be implemented in 2008-2009
- Alternatives:
 - Create a zone tax for local recreation.
 - Continue with Area Rates calculated on local costs.





Local Sidewalks – Common Tax Rate

- Proposal: **Local Sidewalks – Dwelling Unit Tax**
- Considerations:
 - Applies to any property within walking distance of a local sidewalk.
 - Excludes sidewalks on a regional road (in Regional Road Zone).
 - All will have the same tax rate, regardless of local cost. Expect to vary the rate for multi-unit buildings.
 - Will assist some communities in acquiring sidewalks.
 - MGA allows under MGA Sections 75, 81.
 - Could be implemented in 2008-2009
- Alternatives:
 - Create a zone tax for local sidewalks.
 - Continue with Area Rates calculated on local costs.



Local Transit

– Common Tax Rate

- Proposal: **Local Transit – Dwelling Unit Tax**
- Considerations:
 - Applies to any property within walking distance of a local transit stop or park and ride area.
 - Includes Metro Transit except for MetroLink, Express Rural Transit, Ferries (in Regional Transit Zone).
 - All communities will have the same tax rate, regardless of local cost. Expect to vary the rate for multi-unit buildings.
 - Will assist some communities in acquiring transit, hence supporting Regional Plan.
 - MGA allows under Sections 75.
 - Could be implemented in 2008-2009
- Alternatives:
 - Create a zone tax for local transit.
 - Continue with Area Rates calculated on local costs.



Regional Roads Zone Tax Rate

- Proposal: **Regional Road – Dwelling Unit Tax (Four Zones)**
- Considerations:
 - Four Zones (1) District Centre, (2) Urban, (3) Rural Commuter shed and (4) Resource, Agriculture, Open Space.
 - Tax rates based on Commuter trips.
 - Expect to vary the rate for multi-unit buildings.
 - MGA allows under Sections 75, 81.
 - Could be implemented in 2008-2009
- Alternatives:
 - Create Two Zones (Urban/Commutershed and Resource, Agriculture, Open Space.
 - Regional Tax Rate.



Regional Transit Zone Tax Rate

- Proposal: **Regional Transit – Dwelling Unit Tax (Four Zones)**
- Considerations:
 - Four Zones (1) District Centre, (2) Urban, (3) Rural Commuter shed and (4) Resource, Agriculture, Open Space.
 - Tax rates based on Commuter trips.
 - Expect to vary the rate for multi-unit buildings.
 - MGA allows under Sections 75, 81.
 - Could be implemented in 2008-2009
- Alternatives:
 - Create Two Zones (Urban/Commutershed and Resource, Agriculture, Open Space.
 - Regional Tax Rate.



Regional Tax Rate

- Proposal: **Regional Tax Rate** for services of a broad, regional benefit
- Considerations:
 - Includes Police, Fire, Libraries, larger recreation facilities and programming, support services.
 - MGA allows under Section 75.
 - Could be implemented in 2008-2009
- Alternatives:
 - Additional user pay or break-out tax rates for smaller services (eg crosswalk guards).
 - Cost of support services could be allocated to other tax rates.



Packages and Options

Revised Package

Individual Charges:

- 1 Hydrants
- 2 Solid Waste
- 3 Local Roads

Common Tax Rates:

- 4 Local Recreation
- 5 Local Sidewalks
- 6 Local Transit

Zone Tax Rates:

- 7 Regional Roads (4 Zones)
- 8 Regional Transit (4 Zones)

- 9 Regional Tax Rate

Options

- Frontage, HRWC or Regional Tax Rate
User Fees
"Public" Roads or Zone Rate

Zone Tax Rates:

- Regional Roads (1-2 Zones)
Regional Transit (2 Zones)



Enhanced Ability to Pay

- Proposal: **Circuit Breaker** added onto existing rebate/deferral programs (under \$28,000 income).
- Considerations:
 - Dwelling Unit could increase taxes for low/middle income by almost 50%
 - **Add Circuit Breaker** (Limit tax to a percent of income).
 - Eg, 8% for those under \$28,000, 10% for \$28,000 to \$42,000.
 - Phase in Circuit Breaker as Dwelling Unit taxes are phased in. Could be started in 2008-2009.
 - Seek to transfer to Canada Revenue Agency for administration through income tax returns.
 - Can set rates under MGA Section 69.
- Alternatives:
 - Expand rebates/deferrals
 - Replace dwelling units, rebates/deferrals with income tax system.



Start of Commercial Tax Reform

- Commercial to currently remain on Market Value assessment
 - Research continues
- Small Business Tax
 - Special tax rate to the first \$50,000 of commercial assessment. Legislative change required.
 - Increased rate of 2% on other commercial assessment
- Setting commercial tax rate
 - Establish relationship between residential and commercial rates for nine tax rates.
- Better Connection to Services
 - Taking Solid Waste off Commercial Tax Bill
 - Increased transparency



Other Considerations

- Broader Tax Powers
 - Dwelling unit charges for any service could be substituted with other taxation tools when/if HRM gets legal authority

Income Tax

Gas Tax

Sales Tax





Other Considerations

- How many services should be broken down into individual tax rates
 - Street lights, plowing, express transit
- Number of Packages
 - One package with individual variants
 - Two or more complete packages
- Deed Transfer Taxes
 - Reduced rate for first \$50,000 to \$100,000 of home purchase.



Implementation

- Full Implementation – Four Years
 - Requires approval of next Council
- 2008-2009 Council possible approval of
 - Mission Statement, Values, Principles, Objectives
 - Partial replacement of assessment based tax (say 10%), for example
 - Regional and Local Transit (eg Rural Express Transit)
 - Solid Waste
 - Local Sidewalks
 - Enhanced Ability to Pay



Timeline and Consultation Plan

- November 1 – Finalize Package
- November 13 – Council Focus Areas
- Public Consultations
 - Mail-out to all properties – Mid-January
 - Open Houses – Mid-February
 - 8 to 12 meetings across HRM
 - Alternative: Public Consultations in 2009.
 - Implementation starts in 2010-2011



Objectives for Today

- Indicate preference for final package
 - One package with variants or multiple packages
 - Nine Tax Rates
 - Use of Broader Tax Powers
- Direction on
 - Ability to Pay
 - Commercial
 - Small business tax rate
 - Public consultations
- Proceed to Council Focus Areas on November 13